

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2004
(\$000's)

<u>Revenue, Expense and Rate Base Description</u>	(1) Operating Revenue \$	(2) Fuel Costs \$	(3) Other O&M Expense \$	(4) Depr. & Amort. \$	(5) Taxes - Other \$	(6) Income Taxes \$	(7) Interest on Cust. Dep. \$	(8) Plant in Service \$	(9) Accumulated Depreciation \$	(10) CWIP \$	(11) Materials & Supplies \$	(12) Total Wkg. Capital \$	(13) Deferred Drs. & Crs. \$	(14) ADIT \$
(1) Both the Company and the Staff propose to annualize the revenues associated with two contracts for sale of capacity and energy by SCE&G to the North Carolina Electric Membership Corporation. (U)														
Per Company:														
Total Electric	30,099				0	11,513								
S.C. Retail	28,280				0	10,817								
Per Staff:														
Total Electric	30,099				145	11,457								
S.C. Retail	28,280				139	10,764								
(2) Both the Company and the Staff propose to adjust expenses to amortize over three years the fuel component of purchased power that has not been recovered through the fuel adjustment clause in accordance with the stipulation approved by the Commission in Docket No. 2004-02-E. The Staff proposes to allocate the total amount to retail operations. (A & U)														
✓ Per Company:														
Total Electric		8,539				(3,266)								
S.C. Retail		7,948				(3,040)								
Per Staff:														
Total Electric		8,539				(3,266)								
S.C. Retail		8,539				(3,266)								
(3) The Company and the Staff propose to decrease operating expenses for short term contracts for the purchase of capacity that was necessary prior to the Jasper plant beginning operations in May 2004. (A&U)														
Per Company:														
Total Electric			(2,042)			781								
S.C. Retail			(1,920)			734								
Per Staff:														
Total Electric			(2,042)			781								
S.C. Retail			(1,920)			734								

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(4) The Company and Staff propose to increase the level of test year expenses to reflect the annualized level of depreciation expense related to selective catalytic reactors installed at Williams Station after the close of the test year. (A & U) Per Company: Total Electric S.C. Retail Per Staff: Total Electric S.C. Retail			1,958 1,841			(749) (704)								
(5) The Company proposes to adjust operating and maintenance expenses as part of a proposed mechanism to levelize major maintenance costs over an 8-year maintenance cycle. The Staff recommends an alternate levelized adjustment for a 4-year period. (U) Per Company: Total Electric S.C. Retail Per Staff: Total Electric S.C. Retail			5,412 5,038			(2,070) (1,927)								
(6) Both the Company and the Staff propose to increase operating and maintenance expenses for costs associated with the use of ammonia in three new Selective Catalytic Reactor units installed at Wateree and Williams Stations. The EPA directed eastern states to reduce nitrogen oxide emissions during the summer ozone season. Ammonia is used for this process. Staff annualized actual ammonia expenses for the 5-month ozone season. (A) Per Company: Total Electric S.C. Retail Per Staff: Total Electric S.C. Retail			1,524 1,427			(583) (545)								

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(7) Both the Company and the Staff propose to annualize wage increases that were effective in March 2004 and adjust corresponding employee benefits and payroll taxes. The Staff used FICA rates and removed amounts above the base in determining the associated payroll tax increase. (A)														
Per Company:														
Total Electric			6,511		462	(2,667)								
S.C. Retail			6,250		443	(2,560)								
Per Staff:														
Total Electric			6,511		422	(2,652)								
S.C. Retail			6,250		405	(2,545)								
(8) Both the Company and the Staff propose to decrease expenses to reflect increased income from the Company's pension plan assets. Income from such assets is used to offset pension expenses. The Company's adjustment is based on information provided by its actuaries. The Staff accepted the Company's adjustment after reviewing the latest estimates from the Company's actuaries. (A)														
Per Company:														
Total Electric			(3,689)			1,411								
S.C. Retail			(3,517)			1,345								
Per Staff:														
Total Electric			(3,689)			1,411								
S.C. Retail			(3,517)			1,345								
(9) The Company and the Staff propose to annualize the expenses for post employment benefits other than pensions (OPEB's) to match the amounts required to be accrued for these expenses. In addition, this adjustment requires a reduction in rate base. The Staff's adjustment is based on the Company's most recent actuarial study amount. (A)														
Per Company:														
Total Electric			1,342			(513)							(829)	
S.C. Retail			1,280			(490)							(796)	
Per Staff:														
Total Electric			1,508			(577)							(931)	
S.C. Retail			1,438			(551)							(894)	

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<u>Revenue, Expense and Rate Base Description</u>	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(10) The Company and Staff propose to annualize the increased cost of employee health care benefit expense in the first quarter of 2004 as compared to the test year. The adjustment is a known and measurable change. (A)														
Per Company:														
Total Electric			1,044			(399)								
S.C. Retail			995			(381)								
Per Staff:														
Total Electric			1,044			(399)								
S.C. Retail			995			(381)								
(11) The Company and Staff propose to increase expenses for the amortization of deferred costs associated with the Company's long term disability plan. The Company amortized the amount over 5 years. Staff amortized the amount over 9 years which is the remaining period of time a participant would receive benefits from the Company's Disability Plan. (A)														
Per Company:														
Total Electric			1,656			(634)								
S.C. Retail			1,579			(604)								
Per Staff:														
Total Electric			920			(352)								
S.C. Retail			877			(336)								
(12) The Company and Staff propose to reduce amortization expense for amounts associated with deferred Demand-Side Management costs which were written off in June 2004. (A & U)														
Per Company:														
Total Electric			(509)			194								
S.C. Retail			(509)			194								
Per Staff:														
Total Electric			(509)			194								
S.C. Retail			(509)			194								

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	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(13) Both the Company and the Staff propose an adjustment to remove the effect of expenses and rate base items associated with employee clubs. The Staff considers such clubs to be unnecessary for the provision of utility service. The Staff also removed two projects found in Completed Construction Not Classified that were related to employee clubs. (A)														
Per Company:														
Total Electric			(396)	(142)		206			(3,119)			1,064		
S.C. Retail			(378)	(136)		197			(2,995)			1,022		
Per Staff:														
Total Electric			(396)	(142)		206			(3,809)			1,064		
S.C. Retail			(378)	(136)		197			(3,658)			1,022		
(14) The Company and Staff propose to reduce the Company's Plant in Service and Accumulated Depreciation to reflect pending retirements as of March 31, 2004. (A)														
Per Company:														
Total Electric								(13,497)		13,497				
S.C. Retail								(12,806)		12,826				
Per Staff:														
Total Electric								(13,497)		13,497				
S.C. Retail								(12,806)		12,826				
(15) Both the Company and the Staff propose to increase plant in service, decrease Construction Work In progress and Accumulated Depreciation for plant additions and other pro-forma retirements as of May 31, 2004. (A)														
Per Company:														
Total Electric								75,282	4,136	(77,062)				
S.C. Retail								70,614	3,887	(72,447)				
Per Staff:														
Total Electric								75,282	4,136	(77,062)				
S.C. Retail								70,614	3,887	(72,447)				

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	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(16) The Company proposes to increase plant in service and operating and maintenance expenses for costs associated with compliance with new North American Electric Reliability Council (NERC) standards. The Staff proposes to include actual costs to date per work order in Construction Work in Progress. (A & U)														
Per Company:														
Total Electric			1,050	48		(420)		1,309	(48)	0				
S.C. Retail			988	46		(396)		1,257	(46)	0				
Per Staff:														
Total Electric			0	0		0		0	0	12				
S.C. Retail			0	0		0		0	0	12				
(17) Both the Company and the Staff propose to annualize depreciation expense using currently approved depreciation rates and May 31, 2004 plant balances. The Jasper Plant costs are included in a separate adjustment. Staff's adjustment excludes plant for Employee Clubs found in Completed Construction Not Classified and excludes plant for NERC standards. Staff subtracted actual per book depreciation expense in arriving at the adjustment. (A&U)														
Per Company:														
Total Electric				7,560		(2,892)			(7,560)					
S.C. Retail				7,234		(2,767)			(7,234)					
Per Staff:														
Total Electric				7,438		(2,845)			(7,438)					
S.C. Retail				7,116		(2,722)			(7,116)					
(18) Both the Company and Staff propose to increase depreciation reserves and depreciation expense for a new depreciation study. Staff's adjustment excludes plant for Employee Clubs found in Completed Construction Not Classified and excludes plant for NERC standards. The Staff accepted the adjustment subject to the Commission's approval of the new depreciation rates. (U&A)														
Per Company:														
Total Electric				12,288		(4,700)			(12,288)					
S.C. Retail				11,482		(4,392)			(11,482)					
Per Staff:														
Total Electric				12,223		(4,675)			(12,223)					
S.C. Retail				11,420		(4,368)			(11,420)					

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(19) The Company and Staff propose to adjust property taxes based on the May 31, 2004 Plant in Service balances (excluding those on the Jasper Plant) by applying the current average millage rate to additions to plant in service. (A)														
Per Company:														
Total Electric					5,501	(2,104)								
S.C. Retail					5,280	(2,020)								
Per Staff:														
Total Electric					5,445	(2,083)								
S.C. Retail					5,226	(1,999)								
(20) The Company and the Staff propose to adjust rate base and expenses to reflect the effect of the Jasper Plant beginning operation in May 2004. The Staff annualized actual cost for O & M Expenses and Taxes Other Than Income based on 5 months (May - Sept.) of actual costs.(A & U)														
Per Company:														
Total Electric		15,292	6,246	20,130	5,410	(18,007)		506,039	(20,130)	(501,599)				
S.C. Retail		14,397	5,892	18,952	5,192	(16,996)		476,414	(18,952)	(472,234)				
Per Staff:														
Total Electric		15,292	4,337	20,130	5,340	(17,250)		506,039	(20,130)	(501,599)				
S.C. Retail		14,397	4,090	18,952	5,126	(16,282)		476,414	(18,952)	(472,234)				
(21) The Company and the Staff propose to remove the costs related to the Saluda Dam remediation project from this case. (A&U)														
Per Company:														
Total Electric										(193,092)				
S.C. Retail										(181,787)				
Per Staff:														
Total Electric										(193,092)				
S.C. Retail										(181,787)				
(22)The Company and Staff propose to increase the value of coal inventory to reflect current market prices and normal inventory levels. (A & U)														
Per Company:														
Total Electric												23,340		
S.C. Retail												21,725		
Per Staff:														
Total Electric												13,257		
S.C. Retail												12,339		

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(23) The Company proposes to amortize the costs associated with the Company's participation in the GridSouth Regional Transmission Organization (RTO) over five years. The RTO was established in response to FERC directives. The Company seeks rate base treatment for its average unamortized investment in the RTO. The Staff proposes to amortize the costs (less Interest Expense) associated with GridSouth over five years. The Staff does not propose to include the unamortized portion in Rate Base. (U&A)														
Per Company:														
Total Electric			2,819			(1,078)							7,048	
S.C. Retail			2,641			(1,010)							6,552	
Per Staff:														
Total Electric			2,718			(1,040)							0	
S.C. Retail			2,546			(974)							0	
(24) The Company proposes to increase cash working capital based on one-eighth of its O&M expense adjustments. The Staff proposes to adjust cash working capital using one-eighth of the adjustments that correct the Company's per book numbers. (A)														
Per Company:														
Total Electric												4,699		
S.C. Retail												4,443		
Per Staff:														
Total Electric												(1,098)		
S.C. Retail												(1,038)		
(25) The Company and the Staff propose to include the effects of interest synchronization on income taxes. (A)														
Per Company:														
Total Electric						2,251								
S.C. Retail						2,126								
Per Staff:														
Total Electric						2,317								
S.C. Retail						2,218								

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<u>Revenue, Expense and Rate Base Description</u>	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
 (26) The Staff proposes to reclassify certain miscellaneous costs to a below the line account. The Staff does not consider such costs to be necessary for ratemaking purposes. (A)														
Per Company:														
Total Electric			0			0								
S.C. Retail			0			0								
Per Staff:														
Total Electric			(503)			193								
S.C. Retail			(487)			186								
 (27) The Staff proposes to annualize interest on customers' deposits using the currently approved Commission interest rate of 3.50%. The Staff's adjustment includes the rate base effect. (A)														
Per Company:														
Total Electric						0	0					0		
S.C. Retail						0	0					0		
Per Staff:														
Total Electric						232	(607)					607		
S.C. Retail						232	(607)					607		
 (28) The Staff proposes to reduce rate base for accrued interest on customer deposits which is cost free capital to the Company. (A)														
Per Company:														
Total Electric												0		
S.C. Retail												0		
Per Staff:														
Total Electric												(1,582)		
S.C. Retail												(1,582)		
 (29) The Staff proposes to reduce rate base for unclaimed funds. (A)														
Per Company:														
Total Electric												0		
S.C. Retail												0		
Per Staff:														
Total Electric												(4)		
S.C. Retail												(4)		

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South Carolina Electric and Gas Company
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(\$000's)

<u>Revenue, Expense and Rate Base</u> <u>Description</u>	(1) Operating	(2) Fuel	(3) Other O&M	(4) Depr.	(5) Taxes -	(6) Income	(7) Interest on	(8) Plant in	(9) Accumulated	(10) CWIP	(11) Materials &	(12) Total Wkg.	(13) Deferred	(14) ADIT
	Revenue	Costs	Expense	& Amort.	Other	Taxes	Cust. Dep.	Service	Depreciation		Supplies	Capital	Drs. & Crs.	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(30) The Staff proposes to remove cash working capital associated with Genco fuel. A cash working capital component is included on the bill from Genco. (A)														
Per Company:														
Total Electric												0		
S.C. Retail												0		
Per Staff:														
Total Electric												(7,683)		
S.C. Retail												(7,265)		
(31) The Staff proposes to adjust test year moving expenses to reflect a 5-year average amount. (A)														
Per Company:														
Total Electric			0			0								
S.C. Retail			0			0								
Per Staff:														
Total Electric			(264)			101								
S.C. Retail			(253)			97								
(32) The Staff proposes to remove Officer's bonuses and salary increases from test year expenses. (A)														
Per Company:														
Total Electric			0			0								
S.C. Retail			0			0								
Per Staff:														
Total Electric			(6,771)			(11)		2,594						
S.C. Retail			(6,503)			(11)		2,492						
(33) The Staff proposes to remove accrued litigation expenses that are not known and measurable. (A)														
Per Company:														
Total Electric			0			0								
S.C. Retail			0			0								
Per Staff:														
Total Electric			(1,024)			392								
S.C. Retail			(983)			376								
(34) The Staff proposes to remove legal fees associated with the over-billing of Franchise Fees for certain company customers. (A)														
Per Company:														
Total Electric			0			0								
S.C. Retail			0			0								
Per Staff:														
Total Electric			(88)			34								
S.C. Retail			(85)			32								

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(35)The Staff proposes to correct per book income taxes for an error made in the filing. (A)														
Per Company:														
Total Electric						0								
S.C. Retail						0								
Per Staff:														
Total Electric						4,378								
S.C. Retail						4,193								
(36)The Staff proposes to adjust for changes in the allocators as a result of pro forma adjustments and rounding. (U)														
Per Company:														
Total Electric	0		0	0	0	0		0	0		0	0		0
S.C. Retail	1		(1)	(5)	1	(367)		(1)	50		(6)	129		101
Per Staff:														
Total Electric	0		0	0	0	0		0	0		0	0		0
S.C. Retail	1		(1)	(5)	1	(367)		(1)	50		(6)	129		101
<hr/>														
Total Accounting and Pro Forma Adjustments:														
Per Company:														
Total Electric	30,099	23,831	22,926	39,884	11,373	(23,726)	0	566,014	(21,329)	(771,753)	23,340	4,699	6,219	0
S.C. Retail	28,281	22,345	21,606	37,573	10,916	(22,786)	0	532,483	(19,929)	(726,468)	21,719	4,572	5,756	101
Per Staff:														
Total Electric	30,099	23,831	9,523	39,649	11,341	(13,823)	(607)	564,015	(21,094)	(771,741)	13,257	(9,760)	(931)	0
S.C. Retail	28,281	22,936	8,819	37,347	10,886	(13,507)	(607)	530,563	(19,703)	(726,456)	12,333	(9,153)	(894)	101

(U) - Utilities Department's Responsibility
(A) - Audit Department's Responsibility

South Carolina Electric and Gas Company
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(\$000's)

<u>Revenue, Expense and Rate Base Description</u>	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
(\$000's)

<u>Proposed Increase Description</u>	(15) Operating Revenue	(16) Fuel Costs	(17) Taxes - Other	(18) Income Taxes	(19) Customer Growth
	\$	\$	\$	\$	\$

(37) The Company and the Staff propose to adjust base electric rates for fixed capacity charges that the Company will incur for gas service to the Jasper facility. (U&A)

Per Company:

Total Electric	(10,922)	(10,922)			
S.C. Retail	(10,922)	(10,922)			

Per Staff:

Total Electric	(10,922)	(10,922)			
S.C. Retail	(10,922)	(10,922)			

(38) The Company and the Staff propose to include the effects of the proposed rate increase. (U&A)

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Per Company:

Total Electric	92,114		405	35,079	611
S.C. Retail	92,114		405	35,079	611

Per Staff:

Total Electric	92,114		443	35,064	759
S.C. Retail	92,114		443	35,064	759

Total Accounting and Pro Forma Adjustments:

Per Company:

Total Electric	81,192	(10,922)	405	35,079	611
S.C. Retail	81,192	(10,922)	443	35,064	611

Per Staff:

Total Electric	81,192	(10,922)	443	35,064	759
S.C. Retail	81,192	(10,922)	443	35,064	759

(U) Utilities Department's Responsibility

(A) Audit Department's Responsibility